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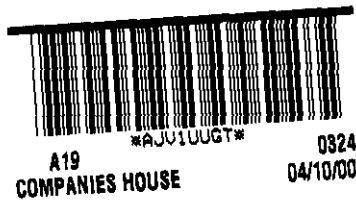
COMPANY NUMBER 2642975

Sapphire International Limited

Report and Financial Statements

Year Ended

31 December 1999



BDO

BDO Stoy Hayward
Chartered Accountants

SAPPHIRE INTERNATIONAL LIMITED

Annual report and financial statements for the year ended 31 December 1999

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Directors

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Director

S R Page

Secretary and registered office

K R B (Secretaries) Limited, 13-19 Curtain Road, London, EC2A 3LU.

Company number

2642975

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1M 1DA.

SAPPHIRE INTERNATIONAL LIMITED

Report of the director for the year ended 31 December 1999

The director presents his report together with the audited financial statements for the year ended 31 December 1999.

Results and dividends

The loss for the year, after taxation amounted to £437,000 (1998 - loss of £222,000). The director does not recommend the payment of a dividend.

Principal activities, review of business and future developments

The company's principal activities during the year were the supply of packaged software and associated services to the business and professional sectors of the microcomputer market. The director anticipates that the company will return to profitability in the near future and is confident of increasing the turnover in 2000.

Director

The director of the company during the year was:

S R Page

According to the register kept by the company pursuant to Section 325 of the Companies Act 1985, the director had the following interests in the share capital of International companies:

Shares	1999	1998
S R Page		
- Sapphire Group Limited - A ordinary shares	2,746,851	2,746,851

Charitable contributions

During the year, the company made charitable donations of £Nil (1998 - £300).

Post balance sheet events

On 2 February 2000 the company acquired 12.5% of the issued share capital of Dedicated Solutions Limited.

SAPPHIRE INTERNATIONAL LIMITED

Report of the directors for the year ended 31 December 1999 (*Continued*)

Director's responsibilities

Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

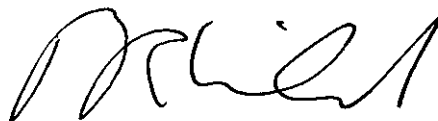
The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

K R B (Secretaries) Limited



**For and on behalf of
K.R.B. (SECRETARIES) LTD.**

Secretary

30 March 2000

SAPPHIRE INTERNATIONAL LIMITED

Report of the auditors

To the shareholders of Sapphire International Limited

We have audited the financial statements on pages 4 to 15 which have been prepared under the accounting policies set out on pages 6 and 7.

Respective responsibilities of the director and auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

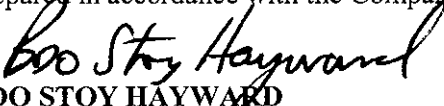
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company at 31 December 1999 and of the result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BDO STOY HAYWARD
*Chartered Accountants
and Registered Auditors*
London

30 March 2000

SAPPHIRE INTERNATIONAL LIMITED**Profit and loss account for the year ended 31 December 1999**

	Note	Total 1999 £'000	1998 £'000
Turnover	2	3,815	1,991
Cost of sales		2,032	1,445
Gross profit		1,783	546
Distribution costs		(579)	(327)
Administrative expenses		(1,823)	(599)
Other operating income		89	144
Operating loss	3	(530)	(236)
Profit on disposal of tangible assets		81	-
Interest receivable		-	35
Interest payable	6	(16)	(21)
Loss on ordinary activities before taxation		(465)	(222)
Taxation	7	-	-
Loss for the financial year	16	(465)	(222)

There were no movements in shareholders' funds apart from the profit for the year.

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 6 to 15 form part of these financial statements.

SAPPHIRE INTERNATIONAL LIMITED

Balance sheet at 31 December 1999

	Note	1999 £'000	1998 £'000
Fixed assets			
Intangible assets	8	192	215
Tangible assets	9	144	171
Investments	10	101	101
		437	487
Current assets			
Stocks	11	108	55
Debtors due within one year	12	1,368	1,174
Debtors due after one year	13	-	1,120
Cash at bank and in hand		7	23
		1,483	2,372
Creditors: amounts falling due within one year	13	1,284	1,717
Net current assets		199	655
Total assets less current liabilities		636	1,142
Creditors: amounts falling due after more than one year	14	168	209
Net assets		468	933
Capital and reserves			
Called up share capital	16	137	137
Share premium account	18	241	241
Profit and loss account	18	90	555
Shareholder's funds - equity		468	933

The financial statements were approved by the Board on 30 March 2000

S R Page
Director



The notes on pages 6 to 15 form part of these financial statements.

SAPPHIRE INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999

1 Accounting policies

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Consolidation

The company has taken advantage of the exemption conferred by Section 248 of the Companies Act 1985 not to produce consolidated accounts as it forms part of a larger group, whose parent company, Sapphire Group Limited, has produced consolidated accounts. Therefore these financial statements contain information about Sapphire International Limited as an individual company and do not contain consolidated financial information as the parent of a group.

Investments

Investments are stated at cost less any provision for permanent diminution in value.

Goodwill

Goodwill arising on acquisition of businesses is the difference between the fair value of the consideration paid and the fair value of the net assets acquired. Goodwill has been amortised through the profit and loss account over the director's estimate of its useful economic life, which is 10 years.

Tangible fixed assets and depreciation

Motor vehicles, equipment and leasehold improvements are stated at cost net of accumulated depreciation and amortisation. Depreciation and amortisation is computed on a straight-line method at rates intended to write-off the cost of the assets less their estimated residual values over the assets' estimated useful lives as follows:

Leasehold improvements	- 4 years
Furniture and fittings	- 4 years
Computer equipment	- 3 years
Motor vehicles	- 4 years

Revenue recognition

Revenue is recognised at the time of shipment, net of provision for estimated future returns. The estimated costs for support during the warranty period are included in cost of revenues. Revenue from maintenance contracts is recognised over the life of the contract. Revenues from consultancy projects are recognised over the life of the project as the work is completed.

Revenues from training represent invoiced amounts less Value Added Tax.

SAPPHIRE INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (*Continued*)

1 Accounting policies (*Continued*)

Work in progress

Work in progress is stated at the lower of cost and net realisable value. Provision is made for amounts not expected to be recovered where appropriate.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing difference will reverse.

Foreign currencies

Transactions in foreign currencies are recorded at rates of exchange prevailing at the time of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account on a straight line basis over the period of the lease.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term.

Pensions

The company makes contributions into a Group Personal Pension Scheme, a defined contribution scheme. Contributions are charged to the profit and loss account as they become payable.

Royalties

Royalties are charged to the profit and loss account at a percentage of software sales in accordance with terms of the royalties agreement.

SAPPHIRE INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (*Continued*)

2 Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax and earned predominantly in the United Kingdom.

	1999 £'000	1998 £'000
<i>Turnover</i>		
Computer software goods and related training services	2,475	1,165
Consultancy services	1,340	826
	<u>3,815</u>	<u>1,991</u>

3 Operating loss

This is stated after charging:

Auditors' remuneration - audit services	15	20
- non audit services	12	-
Depreciation of owned fixed assets	53	23
Depreciation of assets held under finance leases and hire purchase contracts	21	21
Amortisation of goodwill	23	14
Provision for permanent diminution in value of goodwill	-	29
Operating lease rentals:		
Motor vehicles	50	37
Land and buildings	61	59
Provision against amounts due from fellow subsidiary undertakings	803	-
	<u> </u>	<u> </u>

4 Director's remuneration

Director's emoluments	127	109
	<u> </u>	<u> </u>

Pension contributions of £6,000 (1998 - £6,000) were made in respect of the director.

SAPPHIRE INTERNATIONAL LIMITEDNotes forming part of the financial statements for the year ended 31 December 1999 *(Continued)***5 Staff costs**

	1999 £'000	1998 £'000
Staff costs, including director's emoluments, were as follows:		
Wages and salaries	1,556	862
Social security costs	166	84
Other pension costs	33	27
	<u>1,755</u>	<u>973</u>

The average weekly number of employees, including executive directors, during the year was as follows:

	Number	Number
Sales and marketing	10	1
Support, training and consultancy	41	28
Finance, administration and management	8	5
	<u>59</u>	<u>34</u>

6 Interest payable

	£'000	£'000
Bank loans and overdrafts repayable within five years	10	16
Finance charges payable under finance leases and hire purchase contracts	6	5
	<u>16</u>	<u>21</u>

7 Taxation

Charge for year	-	-
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SAPPHIRE INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (*Continued*)

8 Intangible assets

	Goodwill £'000
<i>Cost</i>	
At 1 January 1999 and at 31 December 1999	230
	<hr/>
<i>Amortisation</i>	
At 1 January 1999	15
Provision for year	23
	<hr/>
At 31 December 1999	38
	<hr/>
<i>Net book value</i>	
At 31 December 1999	192
	<hr/>
At 1 January 1999	215
	<hr/>

SAPPHIRE INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (Continued)

9 Tangible assets

	Leasehold improvements £'000	Furniture and fittings £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
<i>Cost or valuation</i>					
At 1 January 1999	6	28	246	75	355
Additions	22	-	27	-	49
Disposals	-	-	-	(15)	(15)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1999	28	28	273	60	389
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 1 January 1999	2	19	153	10	184
Provided for the year	1	3	55	15	74
Released on disposal	-	-	-	(13)	(13)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1999	3	22	208	12	245
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 31 December 1999	25	6	65	48	144
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1998	4	9	93	65	171
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of tangible fixed assets includes an amount of £101,000 (1998 - £123,000) in respect of assets held under finance leases. The related depreciation charge for the period was £21,000 (1998 - £21,000).

10 Investments

	£'000
At 1 January 1999 and at 31 December 1999	101
	<hr/>

The company's investment represents 100% of the ordinary share capital of Technology Arts Information Limited, a company registered in England and Wales, which is dormant.

SAPPHIRE INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (Continued)

11 Stocks

	1999 £'000	1998 £'000
Work in progress	108	55

Amounts previously shown within debtors as amounts recoverable on contracts are now to be classified as work in progress. The comparative figures have been restated to reflect this.

12 Debtors

Amounts falling due within one year

Trade debtors	777	872
Amounts owed by Group undertakings	491	216
Other debtors	23	5
Corporation tax	-	5
ACT recoverable	-	7
Prepayments and accrued income	77	69
	1,368	1,174

Amounts falling due after one year

Amounts owed by fellow subsidiary undertaking	-	1,120
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13 Creditors: amounts falling due within one year

	1999 £'000	1998 £'000
Bank loans and overdraft	66	93
Obligations under finance leases and hire purchase contracts	29	43
Trade creditors	269	280
Amounts due to parent company	358	564
Amounts due to Group undertakings	101	101
Corporation tax	6	18
Deferred revenue	31	113
Other taxes and social security costs	77	142
Accruals	284	266
Other creditors	63	97
	1,284	1,717

Included within accruals is £2,979 (1998 - £1,929) relating to outstanding contributions payable on the pension scheme. The bank loan and overdraft are secured by an unlimited debenture from the company and an all monies guarantee from the parent company, Sapphire Group Limited for £250,000. The bank loan bears interest at a rate of 2.5% above LIBOR.

SAPPHIRE INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 *(Continued)*

14 Creditors: amounts falling due after more than one year

	1999 £'000	1998 £'000
Bank loan	33	-
Net obligations under finance leases and hire purchase contracts	29	58
Other creditors	106	151
	<hr/>	<hr/>
	168	209
	<hr/>	<hr/>

Other creditors relate to rental commitments on the company's previous premises being repaid at £1,000 per week.

Analysis of loans

Wholly repayable within five years	50	-
Included in current liabilities	(17)	-
	<hr/>	<hr/>

Amounts fall due in more than one year	33	-
	<hr/>	<hr/>

Loan maturity analysis

Between one and two years	17	-
Between two and five years	16	-
	<hr/>	<hr/>

Net obligations under finance leases and hire purchase contracts

Repayable within one year	33	49
Repayable between one and five years	34	67
	<hr/>	<hr/>
	69	116
Finance charges and interest allocated to future accounting period	(11)	(15)
	<hr/>	<hr/>
	58	101
Included in liabilities falling due within one year	(29)	(43)
	<hr/>	<hr/>
	29	58
	<hr/>	<hr/>

SAPPHIRE INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 *(Continued)*

15 Deferred taxation

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	1999		1998	
	Provided £'000	Not provided £'000	Provided £'000	Not provided £'000
Accelerated capital allowances	-	21	-	16
Short-term timing differences	-	-	-	-
	<u>-</u>	<u>21</u>	<u>-</u>	<u>16</u>
Deferred tax asset	-	21	-	16
	<u>-</u>	<u>21</u>	<u>-</u>	<u>16</u>

16 Share capital

	Authorised			
	1999 No.	1998 No.	1999 £'000	1998 £'000
£1 ordinary shares	250,000	250,000	250	250
	<u>250,000</u>	<u>250,000</u>	<u>250</u>	<u>250</u>

	Allotted, called up and fully paid			
	1999 No.	1998 No.	1999 £'000	1998 £'000
£1 ordinary shares	137,329	137,329	137	137
	<u>137,329</u>	<u>137,329</u>	<u>137</u>	<u>137</u>

SAPPHIRE INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (Continued)

17 Other financial commitments

At 31 December 1999 the company had annual commitments under non-cancellable operating leases as set out below:

	1999		1998	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	12	15	-	25
Between two to five years	61	17	90	19
	<u>73</u>	<u>32</u>	<u>90</u>	<u>44</u>

18 Reconciliation of movements in shareholders' funds

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
Shareholders' funds at 1 January 1999	137	241	555	933
Loss for the year	-	-	(465)	(465)
	<u>137</u>	<u>241</u>	<u>90</u>	<u>468</u>

19 Ultimate parent undertaking

At 31 December 1999 the company's immediate and ultimate parent company was Sapphire Group Limited, a company registered in England and Wales. Copies of the consolidated financial statements of Sapphire Group Limited are available from Companies House.

20 Cash flow statement

The company has taken advantage of the exemption provided by Financial Reporting Statement 1 (Revised) not to produce a cash flow statement on the grounds that Group accounts are prepared by the parent company.

21 Related party transactions

The company has relied upon the exemption available under FRS 8 'Related Party Transactions', as a wholly owned subsidiary, not to disclose transactions with other companies within the same Group.

During the year provision was made against amounts due from a fellow subsidiary undertaking amounting to £803,000. Other balances with Group companies are shown in notes 12 and 13.